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# Economics For Employees

## A Statement of the Problem

By the Committee on

ECONOMICS FOR EMPLOYEES

Chairman

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# Economics For Employees

## A STATEMENT OF THE PROBLEM

Ownership, labor and management (the work of the entrepreneur) are the three fundamental functional divisions into which our economic life may be divided. Based upon these economic functions our modern social organization has erected a class structure consisting of—capitalist, laborer and enterpriser. This fact should be carefully considered, especially at the beginning of a study which attempts to isolate one of these factors with the purpose of preparing a course of instruction especially adapted to the isolated factor. From an educational point of view this division into capitalist, labor and management classes at once suggests three fundamental considerations—(1) That these three divisions represent three different types of interests corresponding to the three classes into which our economic society is divided, (2) that there are at least two different industrial and social environments—the laborers in one environment, the capitalist in another, with the managerial class partaking of both environments, and (3) that there are two and possibly three grades of intellectual responsibility.

All of these things must first be considered before a rational beginning can be made in determining either the content or the method of training in a course of economics for any or all these different classes.

### Adjustment Needed

If our present teaching of economics fails to arouse the interest of the laborer and the business executive, it is due not to the content of the subject taught but to the non-adjustment of the materials of economics as taught to the inerests of the groups whose industrial environments and intellectual responsibilities are so different from each other and whose methods of acquiring knowledge are so far removed from the college system of instruction.

## Business Versus College Objections in Teaching Economics

This is no criticism of the college method. The colleges and high schools cannot change their fundamental purpose to please either the business man clamoring for more skilled workers or the socialist demanding more doctrine. Our educational institutions have a distinctly educational objective and its end can be reached only through rigorous thinking based on sound pedagogical method. There is perhaps no more erroneous conception than to suppose that an educational institution is primarily a fact factory which uses the mind of the student as a "stores system" to be stocked for four years with information that is to be "delivered again upon requisition" as called for by the process of practical life. "Facts" in a college are primarily for consumption and not for storage and the product into which they are worked is a "scientific mind." Facts in a shop are likewise for consumption but woe to the operative who thinks he is done with them when they have served an intellectual purpose. What the business institution wants is facts worked into a "scientific product" and he expects the operative to deliver the information when called for. This difference of the objective of educational institutions and business institutions has caused most of the confusion regarding the effectiveness of our high schools and colleges. But facts cannot be used to develop power and to build machines at the same time. If the business man wants the schools to send him storage batteries of power he should be willing to go some other place to order his machines. The whole question is simply one of the conversion of energy. If **facts** are to be used to develop power,—a scientific mind,—the habit of logical thinking—the faculty of judgment—or any of the terms which mean the same thing as power—why, then, they cannot be used to make machines which when set going will work automatically without a set of working instructions. A factory manager does not expect the central station plant to send him both electrical power and dynamos—nor would he hold the central station responsible if he ordered power and then without the proper connections turned the live wire loose to squirm and writhe and twist and spit about the floor. He would not expect it to turn wheels or belts until put under proper control and given proper direction. If colleges are to be criticised it should be along the lines of educational content as represented by the kind of **facts** they are using

to develop power—also some of our institutions are using over-shot wheels of classical design to grind their grist when modern conditions are calling for turbine design and high pressure methods. But this is another story. However, the above discussion was not made simply as an explanation of position regarding college education. It serves also as a statement of differences which must be considered in selecting the materials and adopting methods suitable for the economics that the employee group in industry should be furnished. The purpose of employee training is the development of operating efficiency. The development of the mind is the province of the school and college.

For while the employer should never become indifferent to the mental development of the employee, especially the young, nevertheless the objective of business enterprise is to make the income exceed the outgo as a result of the operation. Hence any system of employee training should tend to make the employee a more efficient production unit. Any scheme for training the employee in the principles of economics which loses sight of this objective will and should lose the support of the business executive. The training of employees should be held to the same rigid test as that given to the training of the owners and managers of industry. Does it pay? That is, does the training add to skill, the judgment or co-operative spirit of the individuals for whom it is intended, thus enabling the business unit to operate more efficiently?

If this test is used, the mistake of trying to adopt college methods and objectives in industrial and commercial concerns with business objectives may be avoided.

### **Would Teaching of Economics to Employees Pay?**

In applying this test to economics for employees we at once narrow the field of discussion to start with to the question: Does it pay? The answer does not need statistics today. All that is needed is another question: What would have been saved to the world and to Russia in particular if the working classes had understood the full economic meaning of such an elementary principle, as "you cannot eat your cake and have it too!"; or what might have been the gain to the world if the German working man had cast his influence upon the side of economic wisdom which counseled "what profit is there for a

nation if its people gain the whole world politically and lose its spirit of industrial enterprise" or to bring the illustration nearer home, what is the last coal miners' strike and the last tie up of our transportation system costing us, and could this have been avoided if the laborers had understood that other elementary economic law that wages come out of product and not out of capital?

But these and other recent tendencies have about convinced the business executive that a knowledge of economics is not only good for the laborer but equally good for himself. It is not necessary to prove the importance of economics. The question he would like to have answered is—In what way will the subject aid me in gaining greater industrial efficiency? Will a knowledge of economics add to the skill, aid the judgment, or promote the co-operative spirit of the laborer? This question may be answered from many angles, but from the point of view of operating efficiency it may be said that a knowledge of economics will add skill to the management because it becomes a part of the manager's technique in handling men; it will aid the executives by broadening the scope of business policies; it will promote co-operative effort among employees by more clearly defining for them the objectives of all business effort and showing them the part each economic factor must play in producing that surplus from which each must draw its reward in proportion to the amount he has contributed.

This brief analysis shows us how completely dependent we are upon the recognition of the three fundamental classifications into which our economic society is divided and referred to in the opening statement of this paper. The owners, the managers and the employees are each interested in economics but from a different point of view. Each will get from it increased efficiency but in different ways. It would be interesting to show the relationship between economics and each of these classes but our objective today is to find the relationship between this subject and the employee.

### **How Can Employees Be Interested?**

Recalling then that the economic training of the employee must pay in dollars and cents by building up a more efficient operating unit through increased employee co-operation in working with capital and the aims of management let us see what



problems arise in accomplishing such a result. Assuming that the owners and managers of our business enterprises are convinced that more accurate and sounder economic information on the part of employees were desirable the first problem that arises is: How can the interest of the employees be gained so as to get them to study or accept the knowledge offered them?

The answer is not so difficult as at first surmised since similar queries have been propounded ever since teaching became an art—Find what economic interests lie bound up in the employees' daily work and in the language of "John Anderson My Joe" begin at the tool point to unravel the thread that has been woven into the economic working socks of the employee. Numberless illustrations might be used to show how the employee can be rescued from his towerlike isolation on which he has been placed by soap box oratory, appeals to special prejudice and misplaced confidence in unscrupulous employers. But one suggestion must suffice. Take the waste that is caused by the use of a poor tool (be sure, of course, that the tool quality was not due to the management!)—Such facts put before the worker quantitatively would tie in closely with the positive features of individual saving which in turn leads directly into the heart of the subject of economic saving. To be sure I am not taking the time element into consideration nor the methods of presenting the facts or the means of holding the interest. These are all problems in themselves. But in time thoughtful men must see that production is the true purpose of industry, that what is needed is common effort and that the employer and employee are indissolubly linked in a common enterprise.

### **Wages Question the Storm Centre**

It may be a long time before the owners, the managers and the employees sit down together and decide together what an individual concern will do regarding wages, working time, working conditions, and profit sharing, but surely that day will not be hastened by fighting the blind use of union force by blind force of capital. There are to be sure many other questions of economic importance than those connected with wages but the storm centre has settled around this element in industry and it would be poor judgment that put such questions second in any attempt to interest the employee in economics.

Education is the only universal solvent which can break down the walls of prejudice that have grown up between the laborer and the institution he works in and with. And a broader knowledge of economic laws is the only way by which the little gains of today, the short advance of tomorrow and so on, a little here and a little there, can be held as by a ratchet in the grip of a greater employee sympathy based on a broader understanding.

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